



IN THE MATTER OF
THE EXAMINATION OF

STATE AUTOMOBILE MUTUAL INSURANCE COMPANY
518 E BROAD STREET
COLUMBUS, OH 43215-3976

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Bernie Sullivan, and associates as the proper persons to examine the insurance business and affairs of State Automobile Mutual Insurance Company, NAIC # 25135, of Columbus, Ohio, and to make a full and true report to me of the examination made by them of State Automobile Mutual Insurance Company, with a full statement of the condition and operation of the business and affairs of State Automobile Mutual Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of State Automobile Mutual Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 29th day of August, 2011.


Jack Messmore

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with PATRICK DOKES, at the hour of 11:15 AM
on 6 February, A.D., 2012.

Bernard Snowling
Examiner

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF
THE EXAMINATION OF

STATE AUTO PROPERTY AND CASUALTY INSURANCE COMPANY
1300 WOODLAND AVENUE
WEST DES MOINES, IA 50265

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Bernie Sullivan, and associates as the proper persons to examine the insurance business and affairs of State Auto Property and Casualty Insurance Company, NAIC # 25127, of West Des Moines, Iowa, and to make a full and true report to me of the examination made by them of State Auto Property and Casualty Insurance Company, with a full statement of the condition and operation of the business and affairs of State Auto Property and Casualty Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of State Auto Property and Casualty Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 29th day of August, 2011.


Jack Messmore

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with PATRICK DUKES, at the hour of 11:15 Am
on 6 February, A.D., 2012.

Bernard Sullweig
Examiner



IN THE MATTER OF
THE EXAMINATION OF

MERIDIAN CITIZENS MUTUAL INSURANCE COMPANY
2955 NORTH MERIDIAN STREET
INDIANAPOLIS, IN 46206

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Bernie Sullivan, and associates as the proper persons to examine the insurance business and affairs of Meridian Citizens Mutual Insurance Company, NAIC # 10502, of Indianapolis, IN and to make a full and true report to me of the examination made by them of Meridian Citizens Mutual Insurance Company, with a full statement of the condition and operation of the business and affairs of Meridian Citizens Mutual Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Meridian Citizens Mutual Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 29th day of August, 2011.


Jack Messmore

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with PATRICK DUKES, at the hour of 11:15
on 6 February, A.D., 2012.

Bernard S. Sullivan Jr.
Examiner



IN THE MATTER OF
THE EXAMINATION OF

MERIDIAN SECURITY INSURANCE COMPANY
2955 NORTH MERIDIAN STREET
INDIANAPOLIS, IN 46208-4788

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Bernie Sullivan, and associates as the proper persons to examine the insurance business and affairs of Meridian Security Insurance Company, NAIC # 23353, of Indianapolis, IN, and to make a full and true report to me of the examination made by them of Meridian Security Insurance Company,, with a full statement of the condition and operation of the business and affairs of Meridian Security Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Meridian Security Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 29th day of August, 2011.


Jack Messmore

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with PATRICK DUKES, at the hour of 11:15 Am
on 6 February, A.D., 2012.

Richard Sullivan Jr.
Examiner

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403, and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Louis Butler
Staff Attorney

**State Auto Mutual Insurance Company
State Auto Property & Casualty Company
Meridian Citizens Mutual Insurance Company
Meridian Security Insurance Company**

MARKET CONDUCT RE-EXAMINATION REPORT

DATE OF RE-EXAMINATION: February 6, 2012, through May 18, 2012

EXAMINATION OF: State Auto Mutual Insurance Company
(P & C Foreign) NAIC #25135

State Auto Property & Casualty Company
(P & C Foreign) NAIC #25127

Meridian Citizens Mutual Insurance Company
(P & C Foreign) NAIC #10502

Meridian Security Insurance Company
(P & C Foreign) NAIC #23353

LOCATION: 2955 N. Meridian St
Indianapolis, IN 46208

PERIOD COVERED BY
RE-EXAMINATION: May 19, 2011, through December 31, 2011

EXAMINERS: Bernie Sullivan Jr. LUTCF
Examiner-in-Charge

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COMPLIANCE:	

State Auto Mutual Insurance Company, State Auto Property & Casualty Company,
Meridian Citizens Mutual Insurance Company and Meridian Security Insurance

Company (collectively State), were previously the subject of a market conduct examination completed August 28, 2009, covering the period February 1, 2008, through January 31, 2009.

Based upon the findings of that examination the following thirty-seven Orders were issued in a Stipulation and Consent Order issued by the Director of Insurance, State of Illinois, on May 19, 2011. The following is an examination of State's compliance with the stipulation and consent orders issued on May 19, 2011.

ORDER #1: Institute and maintain procedures whereby an insured whose private passenger automobile policy is being canceled is provided a specific explanation of the reason or reasons for cancellation and provided at least 30 days advanced notice as required by 215 ILCS 5/143.15.

Finding: State is substantially complying with this Order.

ORDER #2: Institute and maintain procedures whereby the insured of a private passenger automobile policy whose policy is being nonrenewed is provided a clear and specific explanation of the reason for the adverse action and to avoid use of generalized terms as required by 215 ILCS 157/35(2).

Finding: State is substantially complying with this Order.

ORDER #3: Institute and maintain procedures whereby a private passenger automobile policy is no longer nonrenewed on the grounds that the company's contract with the agent through whom such policy was obtained has been terminated as is required by 215 ILCS 5/141.01.

Finding: State is substantially complying with this Order.

ORDER #4: Institute and maintain procedures whereby an insured whose private passenger automobile policy is being nonrenewed is provided a specific explanation of the reasons for nonrenewal as mandated by 215 ILCS 5/143.17(a).

Finding: State is substantially complying with this Order.

ORDER #5 Institute and maintain procedures to assure full compliance with 215 ILCS 5/155.17. As a company authorized to write insurance for motor vehicle bodily injury, the companies shall not base the rates for such insurance upon divisions or districts within any municipality which has a population of 2,000,000 or more.

Finding: State is substantially complying with this Order.

ORDER #6: Institute and maintain procedures whereby Uninsured Motorist Property Damage (UMPD) is not provided on a private passenger auto, regardless if on a standard policy or nonstandard policy, at the same time collision coverage is provided to avoid being in conflict with 215 ILCS 5/143a(2).

Finding: State is substantially complying with this Order.

ORDER #7: Institute and maintain procedures to comply with the rates and rules for applying those rates and rating plans that have been filed with the Department of Insurance in accordance with 50 Ill. Adm. Code 754.10(b)(1) and/or 50 Ill. Adm. Code 754.10(b)(2) when rating and issuing standard and nonstandard private passenger automobile policies in order to avoid being in conflict with.

Finding: State is substantially complying with this Order.

ORDER #8: Institute and maintain procedures to inform insureds, prior to the first renewal of his/her automobile policy, of the availability of higher collision and comprehensive deductibles and that a premium savings could result if the higher deductibles were purchased as is required by 215 ILCS 143.25a.

Finding: State is substantially complying with this Order.

ORDER#9: As required by 50 Ill. Adm. Code 919.60(a) institute and maintain procedures whereby an insured who experiences a collision loss will be provided nothing from the companies that indicates on a payment draft, check or any accompanying letter that said payment is "final" or "a release" of any claim when there was no evidence that the policy limit had been paid or there was no bonafide dispute over coverage or the amount payable under the policy.

Finding: State is substantially complying with this Order.

ORDER #10: Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days is provided a reasonable written explanation for the delay with the Notice of Availability of the Department of Insurance included as outlined in 50 Ill. Adm. Code 919.80(b)(2).

Finding: Based on the review of 80 claim files processed during the experience period under review, State is not substantially complying with this Order.

ORDER #11: Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days and eventually will be closed without payment is provided a written explanation for the delay with the Notice of Availability of the Department of Insurance included as outlined in 50 Ill. Adm. Code 919.80(b)(2).

Finding: State is substantially complying with this Order.

ORDER #12: Institute and maintain procedures whereby a private passenger automobile insured whose collision claim is being denied is provided the Notice of Availability of the Department of Insurance on the written explanation of the basis of the denial as required by 50 Ill. Adm. Code 919.50(a)(1).

Finding: State is substantially complying with this Order.

ORDER #13: Institute and maintain procedures whereby a third party claimant who receives property damage payments from the company under an insured private passenger automobile policy is provided a reasonable written explanation for the delay when the claim remains unresolved for more than 60 calendar days as required by 50 Ill. Adm. Code 919.80(b)(3).

Finding: Based on the review of 90 claim files processed during the experience period under review, State is not substantially complying with this Order.

ORDER #14: Institute and maintain procedures whereby a third party claimant whose property damage claim is closed without payment but had remained unresolved for more than 60 calendar days is provided a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(3).

Finding: Based on the review of 80 claim files processed during the experience period under review, State is not substantially complying with this Order.

ORDER #15: As required by 50 Ill. Adm. Code 919.60(a) institute and maintain procedures whereby an insured who experiences a total loss to his/her vehicle will be provided nothing from the companies that indicates on a payment draft, check or any accompanying letter that said payment is "final" or "a release" of any claim when there was no evidence that the policy limit had been paid or there was no bonafide dispute over coverage or the amount payable under the policy.

Finding: State is substantially complying with this Order.

ORDER #16: Institute and maintain procedures whereby the companies fully comply with 50 Ill. Adm. Code 919.80(c)(3)(a)(i) in that all total loss claims involving a replacement vehicle situation or a cash settlement which results within 30 days after the receipt of the settlement in the insured's purchase or lease of a vehicle, resolving in a manner so that similarly situated claimants shall be treated fairly and equitably with regard to reimbursement for the applicable sales taxes and transfer and title fees as referenced in the regulation. The companies will attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear pursuant to 215 ILCS 5/154.6(d).

Finding: State is substantially complying with this Order.

ORDER #17: Institute and maintain procedures whereby a private passenger automobile insured who experiences a total loss to his/her vehicle and in which the claim remains unresolved for more than 40 days is provided on a written explanation a reasonable explanation that is easily understood and is also provided the Notice of Availability of the Department of Insurance included as outline in 50 Ill. Adm. Code 919.80(b)(2).

Finding: State is substantially complying with this Order.

ORDER #18: Institute and maintain procedures whereby an insured who experiences a total loss to his/her vehicle is provided the informational letter commonly known as the right of recourse letter and/or Exhibit A and is provided that letter within seven (7) days of determination of a total loss as required by 50 Ill. Adm. Code 919.80(c), and Section 919 Exhibit A Total Loss Automobile Claims.

Finding: Based on the review of 50 claim files processed during the experience period under review, State is not substantially complying with this Order.

ORDER #19: Institute and maintain procedures whereby the applicable sales tax and transfer and title fees are paid to an insured who experiences a total loss to his/her vehicle as outlined in 50 Ill. Adm. Code 919.80(c)(3)(A)(i).

Finding: State is substantially complying with this Order.

ORDER #20: Institute and maintain procedures whereby an insured whose homeowner policy is being canceled due to the need to repair defects in the property is provided a notice of need to repair and a reasonable period of time to make the repairs prior to sending the notice of cancellation as is outlined in 215 ILCS 5/143.27.

Finding: State is substantially complying with this Order.

ORDER #21: Institute and maintain procedures whereby an insured whose homeowner policy is being canceled is provided a specific explanation of the reason or reasons for cancellation as required by 215 ILCS 5/143.15.

Finding: State is substantially complying with this Order.

ORDER #22: Institute and maintain procedures whereby an insured homeowner policy is being nonrenewed due to the need to repair defects in the property is provided a notice of need to repair and a reasonable period of time to make the repairs prior to sending the notice of nonrenewal as is outlined in 215 ILCS 5/143.27.

Finding: State is substantially complying with this Order.

ORDER #23: Institute and maintain procedures whereby a homeowner policy is no longer nonrenewed on the grounds that the companies' contract with the agent through whom such policy was obtained has been terminated as is required by 215 ILCS 5/141.01.

Finding: State is substantially complying with this Order.

ORDER #24: As required by 50 Ill. Adm. Code 919.60(a) institute and maintain procedures whereby an insured who experiences a loss under his/her homeowner policy will be provided nothing from the companies that indicates on a payment draft, check or any accompanying letter that said payment is "final" or "a release" of any claim when there was no evidence that the policy limit had been paid or there was no bonafide dispute over coverage or the amount payable under the policy.

Finding: State is substantially complying with this Order.

ORDER #25: Institute and maintain procedures whereby a homeowner insured whose claim was paid but had remained unresolved for more than 75 days is provided a reasonable written explanation for the delay with the Notice of Availability of the Department of Insurance as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).

Finding: State is substantially complying with this Order.

ORDER #26: Institute and maintain procedures whereby a homeowner insured whose claim was closed without payment but had remained unresolved for more than 75 days is provided a reasonable written explanation for the delay with the Notice of Availability of the Department of Insurance as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).

Finding: State is substantially complying with this Order.

ORDER #27: Institute and maintain procedures whereby a homeowner insured whose claim is being denied or a lower offer given is provided a reasonable written explanation of the basis of the lower offer or denial. A notice of Availability of the Department of Insurance shall accompany the explanation with the correct address as required by 50 Ill. Adm. Code 919.50(a)(1).

Finding: Based on the review of the 50 claim files processed during the experience period under review, State is not substantially complying with this Order.

ORDER #28: Institute and maintain procedures whereby an insured whose dwelling fire policy is being canceled due to the need to repair defects in the property is provided a notice of need to repair and a reasonable period of time to make the repairs prior to sending the notice of cancellation as is outlined in 215 ILCS 5/143.27.

Finding: State is substantially complying with this Order.

ORDER #29: Institute and maintain procedures whereby an insured whose dwelling fire policy is being nonrenewed is provided at least 30 days advance notice and provided a specific explanation of the reason or reasons for the nonrenewal as required by 215 ILCS 5/143.17(a) and 215 ILCS 5/143.17(e)

Finding: State is substantially complying with this Order.

ORDER #30: Institute and maintain procedures whereby an insured whose commercial policy is canceled is provided a specific explanation of the reason or reasons for cancellation and provided 30 days or 60 days advance notice, whichever the situation demands, as is required by 215 ILCS 5/143.16.

Finding: Based on the review of 29 policies canceled during the experience period under review, State is not substantially complying with this Order.

ORDER #31: Institute and maintain procedures whereby an insured's commercial policy which has been in effect for 60 days is canceled only for one (1) of the reasons noted in 215 ILCS 5/143.16(a).

Finding: State is substantially complying with this Order.

ORDER #32: Institute and maintain procedures whereby an insured whose commercial policy is being nonrenewed is provided a specific explanation of the reasons for the nonrenewal as required by 215 ILCS 5/143.17a(a).

Finding: State is substantially complying with this Order.

ORDER #33: Institute and maintain procedures whereby a commercial policy is no longer nonrenewed on the grounds that the companies' contract with the agent through whom such policy was obtained has been terminated as is required by 215 ILCS 5/141.01.

Finding: State is substantially complying with this Order.

ORDER #34: Institute and maintain procedures whereby a commercial policyholder is provided a 60 days advanced written notice when the renewal premium increases 30% or more as outlined in 215 ILCS 5/143.17a(b).

Finding: State is substantially complying with this Order.

ORDER #35: Institute and maintain procedures whereby an employer is offered the mandatory deductible of at least \$1000 per accident applicable to the medical benefit of his/her worker's compensation policy as required by 215 ILCS 5/456(1)(e).

Finding: State is substantially complying with this Order.

ORDER #36: Institute and maintain procedures whereby correct classifications, payrolls and other factors of the rating system are used to compute workers' compensation premiums as required by 215 ILCS 5/462b.

Finding: State is substantially complying with this Order.

ORDER #37: That the Companies for the purpose of resolving the instant proceeding, shall pay to the Director of Insurance an amount of \$60,000: \$30,000 shall be payable within 30 days of the execution of this Order. The remaining \$30,000 shall be payable to the Director after the re-examination of the Companies, but only if the Department of Insurance notifies the Companies that the Department has determined that the Companies have not substantially complied with the provisions of this Order.

Finding: State has substantially complied with this Order.

ORDER #38: That the Companies shall submit to a re-examination at any time on or after six (6) months from the date of the execution of this Order so as to determine compliance with this Order. The Department will provide the

Companies with no less than 60 days advance notice of re-examination. The period of time covered by any re-examination conducted hereunder will commence on or after the effective date of this Order. Should the results of such re-examination find that the Companies have substantially complied with the provisions of this Order, then payment of the remaining \$30,000 referenced in #37 hereof shall be waived by the Department of Insurance.

Should the results of such re-examination find the the Companies have not substantially complied with the provisions of this Order, the companies shall pay the remaining \$30,000 within a reasonable period of time as determined by the Department of Insurance. The Companies' remedy shall be to challenge the re-examination report by requesting a hearing within 10 days of receipt of said report as provided for in 215 ILCS 5/132(4), or in a court of competent jurisdiction, waiving any and all errors other than arbitrary, unreasonable or capricious action, or action contrary to the manifest weight of evidence.

This Order shall be in effect until the re-examination enumerated in Order #37 is completed. If the company is shown to be in compliance with this Order, then it shall be vacated effective upon the new examination report being filed as a public document.

Finding: State has substantially complied with this Order.

ORDER #39 Submit to the Director proof of compliance with the above 37 Orders within 30 days of receipt of these Orders.

Finding: State has substantially complied with this Order.

II. SUMMARY

1. The company was criticized under 215 ILCS 5/143.16 for failing to provide the required 30 or 60 day advance notice of cancellation.
2. The company was criticized for using the incorrect automobile territory when rating a policy resulting in an overcharge of \$106.00. A refund was processed during the examination.
3. The company was criticized under 215 ILCS 5/143.17a for failing to provide the insured with a 60 day advanced notice of the premium increase in excess of 30% resulting to overcharges amounting to \$205.00. Refunds were processed during the examination.
4. The company was criticized under 50 Ill. Adm. Code 919.80b2 for failing to provide the insured receiving payments on their claim with a reasonable written explanation for delay when the claim remained unresolved for more than 40 days from the date of report.
5. The company was criticized under 50 Ill. Adm. Code 919.80b3 for failing to provide the third party claimants receiving payments on their claim with a reasonable written explanation for delay when the claim remained unresolved for more than 60 days from the date of report.
6. The company was criticized under 50 Ill. Adm. Code 919.80b3 for failing to provide the third party claimant whose claim will be denied with a reasonable written explanation for delay when the claim remained unresolved for more than 60 days from the date of report.
7. The company was criticized under 50 Ill. Adm. Code 919.50a2 for either failing to provide a written explanation of the reason(s) for denial or failing to include a reasonable explanation with the denial.
8. The company was criticized under 50 Ill. Adm. Code 919.80d4Aiii for deducting a condition deduction from the total loss settlement without the damages being itemized as a dollar amount resulting in an underpayment of \$2,740.93. A refund was processed during the examination.
9. The company was criticized under 50 Ill. Adm. Code 919.80c3Ai for failing to reimburse the correct amount for the tax, title & transfer fees resulting in underpayments amounting to \$223.68. Refunds were processed during the examination.
10. The company was criticized under 50 Ill. Adm. Code 919.80(c) for failing to provide the information contained in Exhibit A, to the insured's within seven (7) days of determination of the total loss.

11. The company was criticized under 50 Ill. Adm. Code 919.50(a) for failing to pay the insured within 30 days of receipt of the estimate resulting in an underpayment of \$597.24. A refund was processed during the examination.
12. The company was criticized under 50 Ill. Adm. Code 919.50(a)1 for either failing to provide a reasonable explanation for the reason or reason of denial or failing to include the required notice of availability of the Department of Insurance with the denial letter.

III. BACKGROUND:

The following companies were the subject of the Market Conduct Examination.

STATE AUTO MUTUAL INSURANCE COMPANY

State Auto Mutual Insurance Company was organized in August 1921 under the laws of Ohio as the State Automobile Mutual Insurance Association. It began business on September 1, 1921. The present name was adopted in 1930. Charter powers were broadened during 1955 to permit the handling of property lines in addition to the casualty coverage previously written.

EIC's 2010 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC #25135

	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
1 Fire	\$326,084	\$307,194	\$23,905	\$15,022
2.1 Allied lines	\$356,425	\$327,533	\$165,486	\$97,458
4 Homeowners multiple peril	\$292,988	\$293,618	\$85,658	\$108,172
5.1 Commercial multiple peril (non-liability portion)	\$104,811	\$102,116	\$19,208	\$-3,933
5.2 Commercial multiple peril (liability portion)	\$83,566	\$98,159	\$2,209,821	\$430,180
8 Ocean Marine	\$559	\$683	\$0	\$-1
9 Inland Marine	\$187,376	\$144,209	\$165,786	\$148,391
12 Earthquake	\$27,504	\$28,927	\$0	\$0
16 Workers' compensation	\$3,861,305	\$4,227,654	\$3,934,226	\$2,652,714
17.1 Other liability - occurrence	\$1,052,301	\$991,161	\$2,144,055	\$1,034,627
18 Product liability	\$74,143	\$82,359	\$14,572	\$-76,731
19.2 Other Private passenger auto liability	\$351,635	\$355,742	\$511,840	\$406,465
19.4 Other commercial auto liability	\$537,391	\$678,602	\$248,531	\$-45,573

21.1 Private passenger auto physical damage	\$284,443	\$290,303	\$178,910	\$191,477
21.2 Commercial auto physical damage	\$205,273	\$270,482	\$168,810	\$106,759
23 Fidelity	\$16,632	\$16,916	\$0	\$-4,016
24 Surety	\$404,906	\$240,645	\$0	\$17,246
26 Burglary & theft	\$2,584	\$3,011	\$0	\$162
27 Boiler & machinery	\$54,852	\$51,030	\$0	\$45,209

STATE AUTO PROPERTY AND CASUALTY INSURANCE COMPANY

State Auto Property and Casualty Insurance Company is a member of the State Auto Insurance Companies and chartered on January 25, 1950, under the laws of South Carolina as The Dixie Fire and Casualty Company. It was licensed April 1, 1950, and commenced business the same day. The title of Southern Home Insurance Company was adopted December 31, 1963, concurrent with the absorption by merger of the former companion carrier, Southern Home Insurance Company, Greer, South Carolina. The current title, State Auto Property and Casualty Insurance Company was adopted on January 1, 1988. The company redomesticated to Iowa on November 14, 2006.

EIC's 2010 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC #25127

	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
1 Fire	\$3,177,966	\$3,459,069	\$1,903,492	\$6,030,071
2.1 Allied lines	\$2,280,216	\$2,398,782	\$1,173,950	\$47,476
2.3 Federal Flood	\$12,741	\$7,349	\$8,003	\$8,003
4 Homeowners multiple peril	\$6,304,074	\$5,197,952	\$2,570,742	\$3,594,860
5.1 Commercial multiple peril (non-liability portion)	\$3,052,504	\$2,415,129	\$2,133,076	\$2,136,272
5.2 Commercial multiple peril (liability portion)	\$2,174,932	\$2,233,048	\$2,123,712	\$2,103,858
8 Ocean Marine	\$8,962	\$9,321	\$870	\$-1,164
9 Inland Marine	\$977,534	\$946,008	\$151,691	\$112,991

12 Earthquake	\$541,032	\$534,754	\$0	\$0
16 Workers' compensation	\$1,275,108	\$1,185,515	\$965,613	\$1,096,914
17.1 Other liability - occurrence	\$3,232,824	\$3,336,745	\$887,658	\$946,932
18 Product liability	\$351,814	\$378,667	\$55,566	\$-43,734
19.2 Other Private passenger auto liability	\$1,352,466	\$1,402,354	\$808,924	\$585,449
19.4 Other commercial auto liability	\$2,362,398	\$2,479,314	\$858,211	\$2,691,565
21.1 Private passenger auto physical damage	\$1,151,802	\$1,197,453	\$586,676	\$569,453
21.2 Commercial auto physical damage	\$801,071	\$848,058	\$446,231	\$413,176
23 Fidelity	\$49,131	\$56,619	\$-2,999	\$-1,439
24 Surety	\$0	\$87	\$0	\$2
26 Burglary & theft	\$14,411	\$17,060	\$0	\$229
27 Boiler & machinery	\$173,016	\$170,936	\$13,255	\$23,247

MERIDIAN CITIZENS MUTUAL INSURANCE COMPANY

Meridian Citizens Mutual Insurance Company is a mutual organization that was incorporated as the Citizens Fund Mutual Fire Insurance Company under the laws of Minnesota on March 20, 1914, and commenced business on February 1, 1915. The Security Mutual Fire Insurance Company of Chatfield, Minnesota, (incorporated in 1898), was merged into this company on September 1, 1963. Concurrently, the title was changed to Citizens Security Mutual Insurance Company. The Citizens Fund Mutual Casualty Company and National Mutual Dwelling House Fire Insurance Company, both of Red Wing, were merged with and into Meridian Citizens Mutual Insurance Company on June 3, 1975. Meridian Citizens Mutual Insurance Company absorbed Citizens Mutual Insurance Company, Janesville, Wisconsin, on October 1, 1982. The present title was adopted on June 15, 1998. On October 18, 2000, the company re-domesticated to Indiana.

EIC's 2010 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC #10502

	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
1 Fire	\$46,268	\$46,205	\$2,807	\$-632
2.1 Allied lines	\$5,843	\$6,115	\$0	\$-435
3 Farmowners multiple peril	\$926,754	\$924,292	\$517,426	\$615,308
5.2 Commercial multiple peril (liability portion)	\$0	\$0	\$0	\$86
12 Earthquake	\$27,042	\$27,027	\$0	\$0
17.1 Other liability - occurrence	\$50,758	\$49,203	\$0	\$22,273
19.4 Other commercial auto liability	\$131,622	\$129,236	\$7,151	\$-5,410
21.2 Commercial auto physical damage	\$50,805	\$51,976	\$47,676	\$44,933
27 Boiler & machinery	\$24,390	\$23,487	\$0	\$0

MERIDIAN SECURITY INSURANCE COMPANY

Meridian Security Insurance Company was incorporated on July 27, 1967, under the laws of Indiana and began business on October 2, 1967, as the Meridian Standard Insurance Company and changed its name to the present title in January 1984.

EIC's 2010 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC #23353

	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
16 Workers' compensation	\$706,982	\$676,305	\$631,762	\$136,511
19.2 Other Private passenger auto liability	\$6,230,820	\$5,280,772	\$2,849,662	\$4,742,587
21.1 Private passenger auto physical damage	\$5,263,545	\$4,413,397	\$2,529,159	\$2,633,001

V. METHODOLOGY:

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The scope of this market conduct examination was limited to the following general areas.

1. Risk Selection
2. Underwriting
3. Claims

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories and interviews with company personnel. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable state laws.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated with the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments and/or overpayments.

The following method was used to obtain the required samples and to assure a statistically sound selection. Surveys were developed from company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the company for retrieval.

Risk Selection

Cancellations and nonrenewals of existing policy holders were requested on the basis of the effective date of the transaction falling within the period under examination. Cancellations and nonrenewals were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

Underwriting

The underwriting of new applicants for coverage with STATE was selected based on the inception date of the policy falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with company underwriting guidelines and to ensure that the coverage provided was as requested by the applicant.

Claims

Claims were requested based on the settlement occurring or the claim file being closed without payment within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Part 919 (50 Ill. Adm. Code 919).

V. SELECTION OF SAMPLES:

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Risk Selection:			
Automobile Cancellations	88	88	100.00%
Automobile Nonrenewals	39	39	100.00%
Homeowner Cancellations	85	85	100.00%
Homeowner Nonrenewals	70	70	100.00%
Residential Fire Cancellations	14	14	100.00%
Residential Fire Nonrenewals	2	2	100.00%
Commercial Cancellations	29	29	100.00%
Commercial Nonrenewals	254	70	27.56%

Underwriting:

Automobile New Business	3137	70	2.23%
Commercial Renewals	3877	82	2.11%
Workers Compensation New Business	87	87	100.00%

Claims:

First Party Paid & Median	479	80	16.70%
First Party Closed without Payment	187	80	42.78%
Third Party Paid & Median	469	90	19.19%
Third Party Closed without Payment	113	80	70.79%
Total Losses	50	50	100.00%
Homeowner Paid & Median	622	50	8.04%
Homeowner Closed without Payment	118	50	42.37%

VI. FINDINGS:

A. Risk Selections:

1. Automobile Cancellations

Two (2) automobile cancellations (2.27% of the 88 files reviewed) failed to provide a 30 day advance notice to the insured as required by 215 ILCS 5/143.15.

Policy Number	Mailing Date	Cancellation Date	Criticism
[REDACTED]	08/05/11	08/08/11	the company only provided a 3 day advance notice
[REDACTED]	12/27/11	01/24/12	the company only provided a 28 advance notice

2. Automobile Nonrenewals

There were no trends or areas of concern.

3. Homeowner Cancellations

Two (2) homeowner cancellations (2.35% of the 85 files reviewed) failed to provide the insured with a notice of need to repair and a reasonable time period to repair defects as required by 215 ILCS 5/143.27.

Policy Number	Effective Date	Cancellation Date	Reason for Cancellation
[REDACTED]	07/12/11	10/06/11	condition of property, structural hazards
[REDACTED]	09/09/11	12/02/11	unrepaired roof damage from prior claim

In three (3) homeowner cancellations (3.52% of the 85 files reviewed), the company failed to maintain the proof of mailing of the notice of cancellation as required by 215 ILCS 5/143.14.

Policy Number	Effective Date	Cancellation Date	Date Mailed
[REDACTED]	08/19/11	01/12/12	12/08/11
[REDACTED]	01/29/11	01/12/12	12/08/11
[REDACTED]	11/24/11	01/18/12	12/08/11

Four (4) homeowner cancellations (4.70% of the 85 files reviewed) failed to provide the insured with at least 30 days prior notice of cancellation as required by 215 ILCS 5/143.15.

Policy Number	Effective Date	Cancellation Date	Criticism
[REDACTED]	02/22/04	01/24/12	the company only provided a 28 day advance notice
[REDACTED]	01/06/11	10/17/11	the company only provided a 21 day advance notice
[REDACTED]	09/09/11	12/02/11	the company only provided a 22 day advance notice
[REDACTED]	10/15/11	12/19/11	no advance notice was provided, 0 days

4. Homeowner Nonrenewals

Two (2) homeowner nonrenewals (2.85% of the 70 files reviewed) failed to provide the insured with a 60 day advance notice of nonrenewal as required by 215 ILCS 5/143.21.1.

Policy Number	Effective Date	Nonrenewal Date	Criticism
[REDACTED]	07/18/04	07/18/11	the policy was in effect for 7 years and only a 26 day advance notice was provided
[REDACTED]	07/15/02	12/10/11	the policy was in effect for 9 years and only a 45 day advance notice was provided

In three (3) homeowner nonrenewals (4.28% of the 70 files reviewed), the company stated the reason for nonrenewal as "the agent no longer represents the company" in violation of 215 ILCS 5/141.01.

Policy Number	Effective Date	Nonrenewal Date	Reason Provided
[REDACTED]	11/01/05	11/01/11	agent no longer represents the company
[REDACTED]	07/11/07	07/11/11	lawnmower repair business on premises, agent is no longer representing the company
[REDACTED]	07/09/08	07/09/11	agency no longer represents the company,

			company does not write insured's auto policy as supporting business
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5. Residential Fire Cancellations

There were no trends or areas of concern

6. Residential Fire Nonrenewals

There were no errors found in this survey

7. Commercial Cancellations

Two (2) commercial cancellations (6.89% of the 29 files reviewed, but a 10.34% error rate) either failed to provide a 30 day advanced notice (2 files) or failed to provide a specific reason for cancellation (1 file) as required by 215 ILCS 5/143.16. A general trend criticism was issued since this is a violation of Order #30 of the Stipulation and Consent Orders issued by the Director of Insurance on May 19, 2011.

Policy Number	Effective Date	Cancellation Date	Criticism	Reason Provided
[REDACTED]	05/23/11	07/08/11	the company only provided a 15 day advance notice, non-specific reason	risk does not meet underwriting criteria
[REDACTED]	05/23/11	07/08/11	non-specific reason	risk does not meet underwriting criteria
[REDACTED]	09/30/11	11/19/11	non-specific reason	increased hazard

8. Commercial Nonrenewals

Three (3) commercial nonrenewals (4.28% of the 70 files reviewed) failed to provide the insured with the previous three years loss information as required by 215 ILCS 5/143.10a.


Policy Number	Effective Date	Nonrenewal Date	Date Notice Mailed
[REDACTED]	01/01/5	01/01/12	10/28/11
[REDACTED]	10/01/08	10/01/11	07/29/11

	08/08/07	02/08/12	11/21/11
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B. Underwriting:



1. Automobile New Business

One (1) automobile new business policy (1.42% of the 70 files reviewed) was rated using the incorrect territory resulting in an overcharge of \$106.00. A refund was processed during the examination.

Policy Number	Incorrect Territory Used	Correct Territory	Over/under charge
	20	89	\$106.00

2. Commercial Renewals

Two (2) commercial renewals (2.44% of the 82 files reviewed) failed to provide the insured with a 60 day advanced notice of the increase in excess of 30% as required by 215 ILCS 5/143.17a resulting to overcharges amounting to \$205.00. Refunds were processed during the examination.

Policy Number	Renewal Date	Notice Date	% Increase	# of Days Provided	Criticism
	09/28/11	09/22/11	56.3%	7	premium overcharge of \$105.40 without a 60 day advance notice
	12/01/11	11/22/11	36.5%	10	premium overcharge of \$99.60 without a 60 day advance notice

3. Workers Compensation New Business

There were no errors found in this survey

C. Claims

1. First Party Paid & Median

The median payment period was 20 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	52	65.00%
31-60	15	18.75%
61-90	6	7.50%
91-180	7	8.75%

181-365	0	0.00%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	80	100.00%

Four (4) first party paid claims (5.00% of 80 files reviewed) were criticized for failure to provide the insureds with a reasonable written explanation of delay when the claim remained unresolved for more than 40 days from the date of report to the date of final payment or rendering of the repaired vehicle as required by 50 Ill. Adm. Code 919.80(b)(2). A general trend criticism was issued because this is also a violation of Order #10 of the Stipulation and Consent Orders issued by the Director of Insurance on May 19, 2011.

Claim Number	Date Reported	Date Paid	Criticism
[REDACTED]	08/18/11	10/10/11	the claim remained unresolved for 53 days without a reasonable written explanation provided
[REDACTED]	07/13/11	09/14/11	the claim remained unresolved for 63 days without a reasonable written explanation provided
[REDACTED]	05/02/11	10/27/11	the claim remained unresolved for 178 days without a reasonable written explanation provided
[REDACTED]	06/07/11	10/19/11	the claim remained unresolved for 134 days without a reasonable written explanation provided

2. First Party Closed without Payment

Three (3) first party closed without payment claims (3.75% of 80 files reviewed) were criticized for failure to provide the insureds with a reasonable written explanation of delay when the claim remained unresolved for more than 40 days from the date of report to the date of final payment or rendering of the repaired vehicle as required by 50 Ill. Adm. Code 919.80(b)(2).

Claim Number	Date Reported	Date Paid	Criticism
[REDACTED]	07/14/11	09/29/11	the claim remained unresolved for 77 days without a reasonable written explanation provided
[REDACTED]	07/27/11	10/13/11	the claim remained unresolved for 78 days with a reasonable written explanation provided on day 66 of the claims process
[REDACTED]	10/12/11	11/29/11	the claim remained unresolved for 48 days with a reasonable written explanation provided on day 47 of the claims process

3. Third Party Paid & Median

The median payment period was 19 days without subrogation files included. The median payment period with subrogation files included was 27 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	50	55.56%
31-60	16	17.78%
61-90	8	8.89%
91-180	9	10.00%
181-365	6	6.67%
<u>Over 365</u>	<u>1</u>	<u>1.11%</u>
Total	90	100.00%

Six (6) third party paid claims (6.66% of the 90 files reviewed) failed to provide the third party with a reasonable written explanation for delay when the claim remained unresolved for more than 60 days from the date of report as required by 50 Ill. Adm. Code 919.80b3. A general trend criticism was issued because this is also a violation of Order #13 of the Stipulation and Consent Orders issued by the Director of Insurance on May 19, 2011.

Claim Number	Report Date	Date Paid	Criticism
[REDACTED]	07/22/10	06/07/11	the claim remained unresolved for 320 days without a reasonable written explanation provided, an offer was made on 10/19/10, day 80
[REDACTED]	03/08/11	07/01/11	the claim remained unresolved for 115 days without a reasonable written explanation provided, an offer was made on 6/6/11, day 90
[REDACTED]	08/24/11	11/07/11	the claim remained unresolved for 75 days without a reasonable written explanation provided, closed 9/27/11 while waiting on estimate and pictures
[REDACTED]	06/08/10	07/25/11	the claim remained unresolved for 412 days without a reasonable written explanation provided
[REDACTED]	01/14/11	05/23/11	the claim remained unresolved for 129 days without a reasonable written explanation provided, 2/14/11 note indicates pending subrogation docs, no subrogation received
[REDACTED]	10/11/10	05/24/11	the claim remained unresolved for 225

[REDACTED]			days without a reasonable written explanation provided, closed on 1/15/11, day 86 while waiting on estimates, reopened 5/24/11 when estimate received
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4. Third Party Closed without Payment

Five (5) third party closed without payment claims (6.25% of the 80 files reviewed) failed to provide the third party with a reasonable written explanation for delay when the claim remained unresolved for more than 60 days from the date of report as required by 50 Ill. Adm. Code 919.80b3. A general trend criticism was issued because this is also a violation of Order #14 of the Stipulation and Consent Orders issued by the Director of Insurance on May 19, 2011.

Claim Number	Report Date	Close Date	Criticism
[REDACTED]	05/20/11	02/24/12	the claim remained unresolved for 280 days without providing a reasonable written explanation
[REDACTED]	06/17/11	08/18/11	the claim remained unresolved for 62 days without providing a reasonable written explanation
[REDACTED]	04/14/11	06/17/11	the claim remained unresolved for 64 days without providing a reasonable written explanation
[REDACTED]	05/10/11	06/23/11	the claim remained unresolved for 44 days when the company closed the file without a reasonable written explanation of delay and reopened the claim on 9/12/11 and paid the claim.
[REDACTED]	03/10/11	08/18/11	the claim remained unresolved for 161 days without providing a reasonable written explanation

Seven (7) third party closed without payment claims (8.75% of the 80 files reviewed) either failed to provide a written explanation of the reason(s) for denial (4 files) or failed to include a reasonable explanation with the denial (3 files) as required by 50 Ill. Adm. Code 919.50a2. A general trend criticism was issued.

Claim Number	Report Date	Closed Date	Criticism
[REDACTED]	04/27/11	06/24/11	no explanation was provided in the denial letter
[REDACTED]	08/22/11	08/29/11	no explanation was provided in

			the denial letter
[REDACTED]	09/06/11	09/09/11	no explanation was provided in the denial letter
[REDACTED]	03/10/11	08/18/11	no denial letter was provided to the claimant within 30 days of determination of liability
[REDACTED]	08/25/11	09/07/11	no denial letter was provided to the claimant within 30 days of determination of liability
[REDACTED]	08/23/11	10/22/11	no denial letter was provided to the claimant within 30 days of determination of liability
[REDACTED]	06/10/11	06/23/11	no denial letter was provided to the claimant within 30 days of determination of liability

5. Total Losses

The median payment period was 19 days distributed as follows:



<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	41	82.00%
31-60	9	18.00%
61-90	0	0.00%
91-180	0	0.00%
181-365	0	0.00%
<u>Over 365</u>	<u>0</u>	<u>0.00%</u>
Total	50	100.00%

One (1) total loss paid claim (2.00% of the 50 files reviewed) made a condition deduction from the settlement amounts without the damages being itemized in the file as required by 50 Ill. Adm. Code 919.80d4Aiii resulting in underpayments totaling \$2,740.93. A refund was processed during the examination.










Claim Number	Report Date	Criticism	Amount Underpaid
[REDACTED]	07/28/11	the condition deduction was not itemized in the file	\$2,740.93
















Two (2) total loss claim files (4.00% of the 50 files reviewed) failed to reimburse the insured the correct amount for the tax, title and transfer fees on the replacement vehicle as required by 50 Ill. Adm. Code 919.80c3Ai. Refunds were processed during the examination.

Claim Number	Report	Criticism	Amount
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	Date		Underpaid
	08/05/11	the company used 6.14% as the reimbursement percentage when the correct percentage was 6.25%	\$136.45
	05/18/11	the company failed to include the deductible as part of the settlement amount to determine the reimbursement amount	\$87.23

Thirty-four total loss paid claims (68.00% of the 50 files reviewed) were criticized for failing to provide the information contained in Exhibit A, to the insured's within seven (7) days of determination of the total loss as required by 50 Ill. Adm. Code 919.80(c). A general trend criticism was issued. This is also a violation of Order # 18 of the Stipulation and Consent Orders issued by the Director of Insurance, State of Illinois on May 19, 2011.

Claim Number	Report Date	Date Determined Total Loss	Criticism	# days provided after determination
 3	10/10/11	10/17/11	the information was provided after 7 days from determination	14
	06/11/11	06/20/11	the information was provided after 7 days from determination	8
	11/26/11	11/28/11	the information in Exhibit A was not provided	0
	08/05/11	08/17/11	the information was provided after 7 days from determination	9
	08/26/11	08/26/11	the information was provided after 7 days from determination	45
	08/29/11	09/08/11	the information was provided after 7 days from determination	67
	09/12/11	09/23/11	the information in Exhibit A was not provided	0
	10/04/11	10/06/11	the information was provided after 7 days from determination	8
 3	11/21/11	11/29/11	the information in Exhibit A was not	0

			provided	
	10/01/11	10/05/11	the information was provided after 7 days from determination	22
	06/27/11	07/06/11	the information was provided after 7 days from determination	69
	05/09/11	05/27/11	the information was provided after 7 days from determination	60
	09/16/11	09/21/11	the information in Exhibit A was not provided	0
	07/09/11	07/15/11	the information in Exhibit A was not provided	0
	07/05/11	07/06/11	the information in Exhibit A was not provided	0
	07/29/11	08/09/11	the information was provided after 7 days from determination	10
	07/21/11	07/28/11	the information was provided after 7 days from determination	71
	06/04/11	06/06/11	the information in Exhibit A was not provided	0
	05/18/11	05/19/11	the information was provided after 7 days from determination	13
	07/05/11	07/11/11	the information in Exhibit A was not provided	0
	07/28/11	08/04/11	the information was provided after 7 days from determination	14
	11/10/11	11/18/11	the information was provided after 7 days from determination	13
	07/28/11	08/23/11	the information was provided after 7 days from determination	14
	11/14/11	11/18/11	the information in Exhibit A was not provided	0

[REDACTED]	07/15/11	07/25/11	the information in Exhibit A was not provided	0
[REDACTED]	05/04/11	05/19/11	the information was provided after 7 days from determination	118
[REDACTED]	06/09/11	06/20/11	the information was provided after 7 days from determination	71
[REDACTED]	09/08/11	09/20/11	the information was provided after 7 days from determination	23
[REDACTED]	06/19/11	06/27/11	the information in Exhibit A was not provided	0
[REDACTED]	08/05/11	08/15/11	the information was provided after 7 days from determination	65
[REDACTED]	11/18/11	11/23/11	the information in Exhibit A was not provided	0
[REDACTED]	05/22/11	06/08/11	the information was provided after 7 days from determination	19
[REDACTED]	10/19/11	10/26/11	the information was provided after 7 days from determination	51
[REDACTED]	09/27/11	09/28/11	the information was provided after 7 days from determination	114

6. Homeowner Paid & Median

The median payment period was 31 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percentage</u>
0-30	25	50.00%
31-60	9	18.00%
61-90	5	10.00%
91-180	4	8.00%
181-365	6	12.00%
<u>Over 365</u>	<u>1</u>	<u>2.00%</u>
Total	50	100.00%

There were no trends or areas of concern

7. Homeowner Closed without Payment

One (1) homeowner closed without payment claim (2.00% of the 50 claims reviewed) failed to pay the insured within 30 days of receipt of the estimate as required by 50 Ill. Adm. Code 919.50a, resulting in an underpayment of \$597.24. A refund was processed to the insured during the examination.

Claim Number	Date Reported	Date Closed	Criticism
[REDACTED]	3/25/11	8/26/11	the estimate was received by the company on 4/7/11 for a replacement cost of \$1,097.24, no payment was made to insured

Two (2) homeowner closed without payment claims (4.00% of the 50 files reviewed) were criticized for failure to provide the insureds with a reasonable written explanation of delay when the claim remained unresolved for more than 75 days from the date of report to the date of final payment as required by 50 Ill. Adm. Code 919.80(d)(7)(B).

Claim Number	Date Reported	Date Closed	Criticism
[REDACTED]	03/25/11	08/26/11	the claim remained unresolved for 154 days without a reasonable written explanation provided
[REDACTED]	04/20/11	07/27/11	the claim remained unresolved for 98 days without a reasonable written explanation provided

Eleven homeowner closed without payment claims (22.00% of the 50 files reviewed) either failed to provide a reasonable explanation for the reason or reason of denial (2 files) or failed to include the required notice of availability of the Department of Insurance (9 files) as required by 50 Ill. Adm. Code 919.50(a)1. A general trend criticism was issued. This is also a violation of Order #27 of the Stipulation & Consent Orders issued by the Director of Insurance on May 19, 2011.

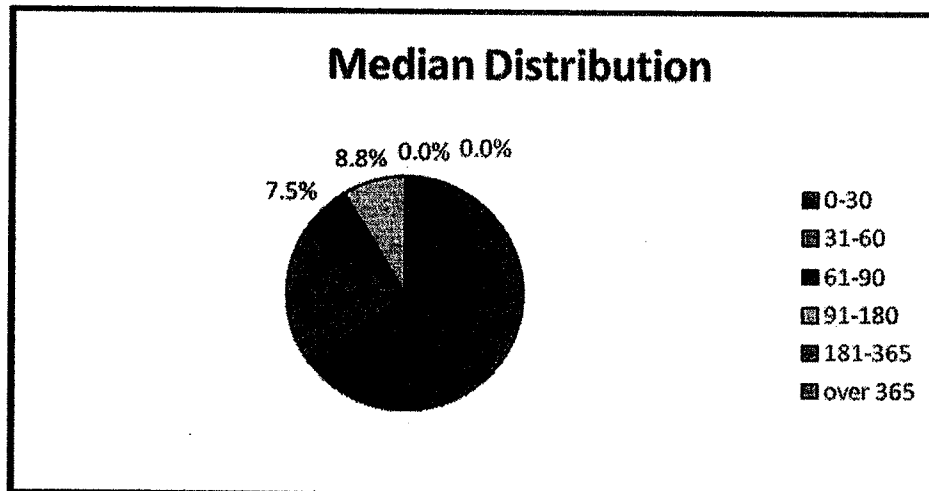
Claim Number	Date Reported	Date Closed	Criticism
[REDACTED]	09/16/11	09/21/11	the denial letter contained no notice of availability of the Department
[REDACTED]	04/25/11	08/25/11	the denial letter contained no notice of availability of the Department
[REDACTED]	05/06/11	06/19/11	the denial letter contained no notice of availability of the Department
[REDACTED]	03/25/11	08/26/11	no denial letter was provided

[REDACTED]	07/29/11	08/11/11	the denial letter contained no notice of availability of the Department
[REDACTED]	05/24/11	08/08/11	the denial letter contained no notice of availability of the Department
[REDACTED]	07/23/11	08/25/11	the denial letter contained no notice of availability of the Department
[REDACTED]	09/7/11	09/26/11	the denial letter contained no notice of availability of the Department
[REDACTED]	10/24/11	10/29/11	the denial letter contained no notice of availability of the Department
[REDACTED]	09/29/11	10/03/11	the denial letter contained no notice of availability of the Department
[REDACTED]	12/02/11	12/08/11	no denial letter was provided

VII. TECHNICAL APPENDICES:

FIRST PARTY PAID & MEDIAN

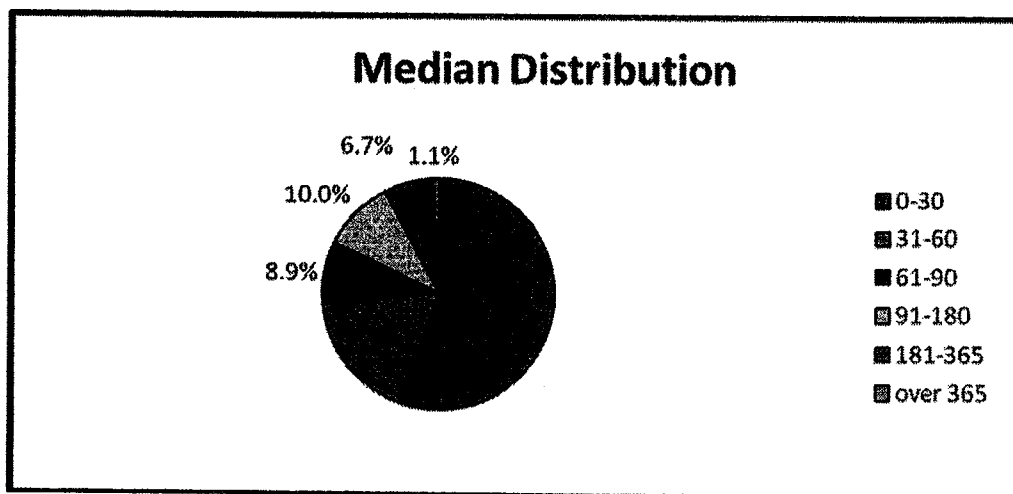
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	52	65.00%
31-60	15	18.75%
61-90	6	7.50%
91-180	7	8.75%
181-365	0	0.00%
over 365	0	0.00%
Total	80	100.00%



VII. TECHNICAL APPENDICES continued:

THIRD PARTY PAID & MEDIAN

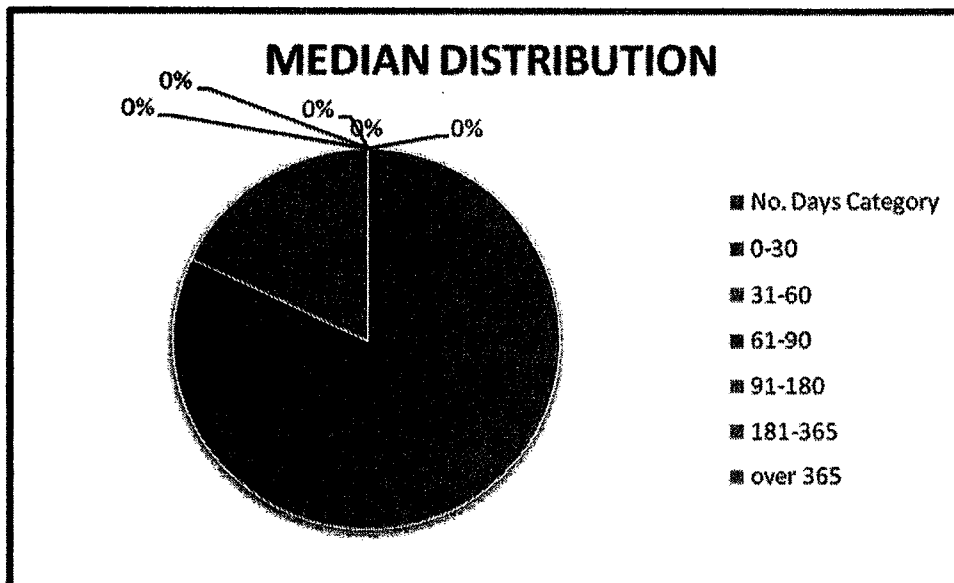
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	50	55.56%
31-60	16	17.78%
61-90	8	8.89%
91-180	9	10.00%
181-365	6	6.67%
over 365	1	1.11%
Total	90	100.00%



VII. TECHNICAL APPENDICES continued:

TOTAL LOSS PAID:

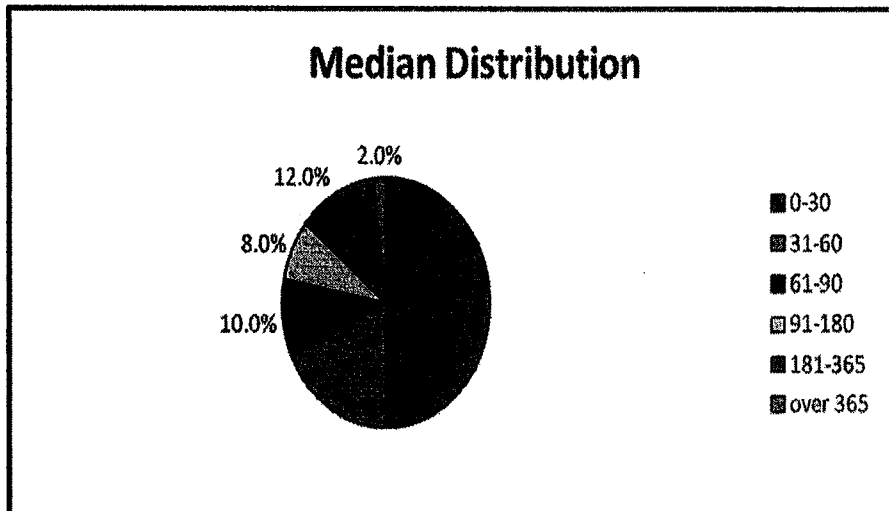
MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	41	82.00%
31-60	9	18.00%
61-90	0	0.00%
91-180	0	0.00%
181-365	0	0.00%
over 365	0	0.00%
Total	50	100.00%



VII. TECHNICAL APPENDICES continued:

HOMEOWNER PAID & MEDIAN

MEDIAN DISTRIBUTION		
No. Days Category	Number	Percent
0-30	25	50.00%
31-60	9	18.00%
61-90	5	10.00%
91-180	4	8.00%
181-365	6	12.00%
over 365	1	2.00%
Total	50	100.00%



STATE OF ILLINOIS)
) ss
COUNTY OF SANGAMON)

Bernie Sullivan, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of State Auto Property and Casualty Insurance Company of West Des Moines, Iowa, Meridian Citizens Mutual Insurance Company and Meridian Citizens Security Insurance Company of Indianapolis, Indiana, and State Auto Mutual Insurance Company of Columbus, Ohio (collectively the "Companies")

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies' business and affairs and the manner in which the Companies conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies' affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment Companies, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

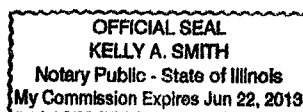
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Companies for the period covered by the Report as determined by the examiners;

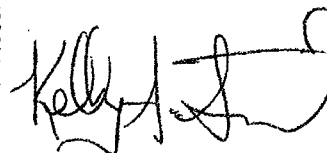
That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the companies.


Examiner-In-Charge

Subscribed and sworn to before me
This 14 day of June,
A. D. 2012.

Notary Public





STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Bernie Sullivan, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

State Auto Mutual Insurance Company, NAIC # 25135
State Auto Property & Casualty Company, NAIC # 25127
Meridian Citizens Mutual Insurance Company, NAIC # 10502
Meridian Security Insurance Company, NAIC # 23353

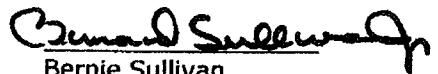
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies business and affairs and the manner in which the Companies conduct their business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

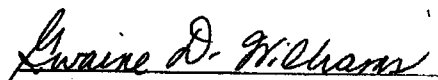
That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Companies for the period covered by the Report as determined by the examiner;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Companies.


Bernie Sullivan
Examiner-In-Charge

Subscribed and sworn to before me
this 7th day of December, 2012.







IN THE MATTER OF:

STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY
STATE AUTO MUTUAL INSURANCE COMPANY
STATE AUTO NATIONAL INSURANCE COMPANY
MERIDIAN SECURITY INSURANCE COMPANY
MERIDIAN CITIZENS MUTUAL INSURANCE COMPANY
518 EAST BROAD STREET
COLUMBUS, OHIO 43215

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, State Auto Property & Casualty Insurance Company, et al. (Companies) are authorized under the insurance laws of this State and by the Director as foreign mutual or foreign stock companies, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Re-examination of the Companies was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department filed an Examination report as an official document of the Department as a result of the Market Conduct Re-examination; and

WHEREAS, said report cited various areas in which the Companies were not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Companies.

WHEREAS, the Companies are aware of and understand the various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Companies understand and agree that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Companies and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into the Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Companies and the Director as follows:

1. That the Market Conduct Re-examination indicated various areas in which the Companies were not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and Companies consent to this Order requiring the Companies to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Companies shall:


1. Institute and maintain procedures whereby an insured whose commercial policy is canceled is provided a specific explanation of the reason or reasons for cancellation and provided 30 days or 60 days advance notice, whichever the situation demands, as is required by 215 ILCS 5/143.16.
2. Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days is provided a reasonable written explanation for the delay with the Notice of Availability of the Department of Insurance included as outline in 50 Ill. Adm. Code 919.80(b)(2).
3. Institute and maintain procedures whereby a third party claimant who receives property damage payments from the company under an insured private passenger automobile policy is provided a reasonable written explanation for the delay when the claim remains unresolved for more than 60 calendar days as required by 50 Ill. Adm. Code 919.80(b)(3).
4. Institute and maintain procedures whereby a third party claimant whose property damage claim is closed without payment but had remained unresolved for more than 60 calendar days is provided a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(3).
5. Institute and maintain procedures whereby a third party claimant whose claim is being denied or a lower offer given is provided a reasonable written explanation of the basis of the lower offer or denial as required by 50 Ill. Adm. Code 919.50(a)(2).
6. Institute and maintain procedures whereby an insured who experiences a total loss to his/her vehicle is provided the informational letter commonly known as the right of recourse letter and/or Exhibit A and is provided that letter within seven (7) days of

determination of a total loss as required by 50 Ill. Adm. Code 919.80(c), and Section 919 Exhibit A Total Loss Automobile Claims.

7. Institute and maintain procedures whereby a homeowner insured whose claim is being denied or a lower offer given is provided a reasonable written explanation of the basis of the lower offer or denial. A Notice of Availability of the Department of Insurance shall accompany the explanation with the correct address as required by 50 Ill. Adm. Code 919.50(a)(1).
8. Submit to the Director of Insurance, State of Illinois, \$4,615.00 of the remaining \$30,000 forfeiture noted in Order #37 of the Stipulation and Consent Orders issued May 19, 2011, within 10 days of entry of these Orders.
9. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above eight (8) Orders within 30 days of receipt of these Orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should the Companies violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

State Auto Property & Casualty Insurance Company, et al.:


Signature

David W. Dalton
Name

V. p. / Compliance Officer
Title

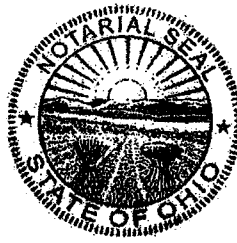
Subscribed and sworn to before me this

26 day of February A. D. 2013.

Suzanne M. Landacre

Notary Public

Date: 2-26-13



Suzanne M. Landacre
Notary Public, State of Ohio
My Commission Expires 05-17-2017

DEPARTMENT OF INSURANCE of the
State of Illinois:

Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

February 27, 2013

Mr. David Boling
State Auto Property & Casualty
Insurance Company, et al
518 East Broad Street
Columbus, OH 43215

Re: State Auto Property & Casualty Insurance Co. et al
Market Conduct Examination Report

Dear Mr. Boling:

This is in response to your January 17, 2013 letter on the above reference matter.

State Auto submitted a \$4,615.00 check in payment of the civil forfeiture set forth in Order # 8 as well as proofs of compliance with Order # 1 through Order # 9 in the Stipulation and Consent Order. Your January 17, 2013 correspondence contained proof of compliance with Orders #1 through 9. These proofs of compliance have been reviewed and are satisfactory.

Accordingly, this Department is closing its file on this exam. A copy of the fully executed Stipulation and Consent Order is enclosed for your records. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,

Louis Butler
Deputy General Counsel